

ANNUAL FINANCIAL REPORT

CENTRAL VALLEY PROJECT IMPROVEMENT ACT Public Law 102-575, Title XXXIV

Revenues and Expenditures for the Periods:

October 1, 2008 - September 30, 2009 (Actual)

October 1, 2010 - September 30, 2011 (Projected)

September 2010

**Bureau of Reclamation
United States Department of the Interior**

TABLE OF CONTENTS

	<u>Page</u>
Executive Summary	1
Restoration Fund Revenues and Expenditures for Fiscal Year 2009 (Actual) and Fiscal Year 2011 (Projected) (Schedule 1)	6
Friant Division Surcharges (Subsection 3406(c)(1)) for Fiscal Year 2009 (Actual) and Fiscal Year 2011 (Projected) (Schedule 2)	7
Restoration Charges (Subsection 3407(c) & (d)) for Fiscal Year 2009 (Actual) and Fiscal Year 2011 (Projected) (Schedule 3)	8
Restoration Fund Expenditures for Fiscal Year 2009 (Actual) and Fiscal Year 2011 (Projected) (Schedule 4)	9

CENTRAL VALLEY PROJECT IMPROVEMENT ACT ANNUAL FINANCIAL REPORT

EXECUTIVE SUMMARY

Subsection 3407(f) of the Central Valley Project Improvement Act (CVPIA), Title XXXIV of Public Law 102-575, requires an annual financial report to the Senate Committee on Energy and Natural Resources, the Senate Committee on Appropriations, the House Committee on Natural Resources, and the House Committee on Appropriations. This is the seventeenth annual financial report which describes Central Valley Project Restoration Fund (CVPRF) revenues (receipts) and expenditures (uses) during Fiscal Year (FY) 2009 as well as projected CVPRF revenues and expenditures during FY 2011. For purposes of this report, revenues are actual receipts (payments) processed.

In FY 2009, the Bureau of Reclamation (Reclamation) collected approximately \$59.4 million into the CVPRF and spent \$46.9 million on habitat restoration, improvement, and acquisition, and other fish and wildlife restoration activities. For FY 2011, the projection for revenues is \$49.9 million and \$49.9 million for expenditures. Schedule 1 provides an overall view of CVPRF revenues and expenditures and Schedule 2 and 3 details the CVPRF revenues for Friant Division surcharges and Restoration charges, respectively. Finally, schedule 4 details CVPRF expenditures.

This report does not include water and related resources appropriations, State of California cost share funding, CALFED Bay-Delta funding and American Recovery and Reinvestment Act appropriations. These additional four funding sources with the CVPRF compose the annual CVPIA program. Each funding source is considered in allocating funds to individual CVPIA activities and coordinated with the CALFED Bay-Delta Program to best ensure compatibility with and to complement CALFED initiatives. Overlapping CVPIA and CALFED areas are integrated as a way of using the strengths of both programs to maximize performance and meet program objectives. It is anticipated that these processes will result in a broad-based ecosystem management strategy wherein all parties join together in a partnership in their efforts toward mitigation and restoration of the environment.

Challenges facing Reclamation include the San Joaquin River Restoration Settlement Act, Title X of Public Law 111-11. This legislation diverts approximately \$5.6 million in projected FY 2011 revenues to the San Joaquin River Restoration Fund (SJRRF). Another challenge facing the Central Valley Project Restoration Fund includes consecutive drought-years, which shifts the burden of revenues (payments) from water contractors to power contractors.

Background

In 1992, Congress passed the Central Valley Project Improvement Act, which amended the previous authorization of California's Central Valley Project (CVP), to include fish and wildlife protection, restoration and enhancement as project purposes having equal priority with agricultural water uses, municipal and industrial water uses, and power generation. Congress

directed the Secretary of the Interior, through Reclamation and the U.S. Fish and Wildlife Service, to operate the CVP consistent with the purposes of the CVPIA, to meet the Federal trust responsibilities to protect the fishery resources of affected federally recognized Indian tribes, and to achieve a reasonable balance among competing demands for use of CVP water. To help achieve CVPIA measures, the Act established the Central Valley Project Restoration Fund (CVPRF) to collect donations and revenues from any source provided by the act and paid by those who benefit from the CVP's water and power supplies.

Restoration Fund Revenues

Public Law 102-575, Title XXXIV, Section 3407 established the Central Valley Project Restoration Fund (CVPRF). Table 1 below shows actual FY 2009 receipts of \$59.4 million by revenue type and projected FY 2011 receipts by revenue type totaling \$49.9 million. CVPRF receipts are calculated by applying the applicable charge to CVP project water sold and delivered.

Table 1: Restoration Fund Receipts

Description of Revenue	CVPIA Section	FY 2009 Actual Receipts	FY 2011 Projected Receipts
Pre-Renewal Charges	§3404(c)(3)	\$0	\$0
Tiered Water Charges	§3405(d)	\$(191,764)	\$300,000
Water Transfer Charges	§3405(a)(1)(B)	\$0	\$0
Friant Division Surcharges	§3406(c)(1)	\$6,922,908	\$0
M&I Surcharges	§3407(d)(2)(A)	\$680	\$1,000
Restoration Charges	§3407(c) & (d)	\$52,685,000	\$49,614,000
Total Receipts		\$59,416,823	\$49,915,000

As shown in Table 1, nearly all collections in FY 2009 were derived from two CVPIA subsections – namely, Friant Division Surcharges and Restoration Charges. Receipts from pre-renewal charges, tiered water charges, water transfer charges, and M&I surcharges continue to be nominal. The projected CVPRF receipts no longer include the Friant Division Surcharge. This surcharge is now deposited into the San Joaquin River Restoration Fund (SJRRF).

Table 2: Restoration Charges by Beneficiary

Payment by Beneficiary	FY 2009 Actual Receipts	FY 2011 Projected Receipts
Restoration Charges - Irrigation	\$12,168,526	\$16,209,391
Restoration Charges - M&I	5,980,385	7,034,549
Restoration Charges - Power	34,536,089	26,370,060
Grand Total	\$52,685,000	\$49,614,000

Table 2 above depicts receipts for restoration charges by project beneficiaries. As seen in the table, receipts from beneficiaries can change drastically after drought years. Also, the restoration

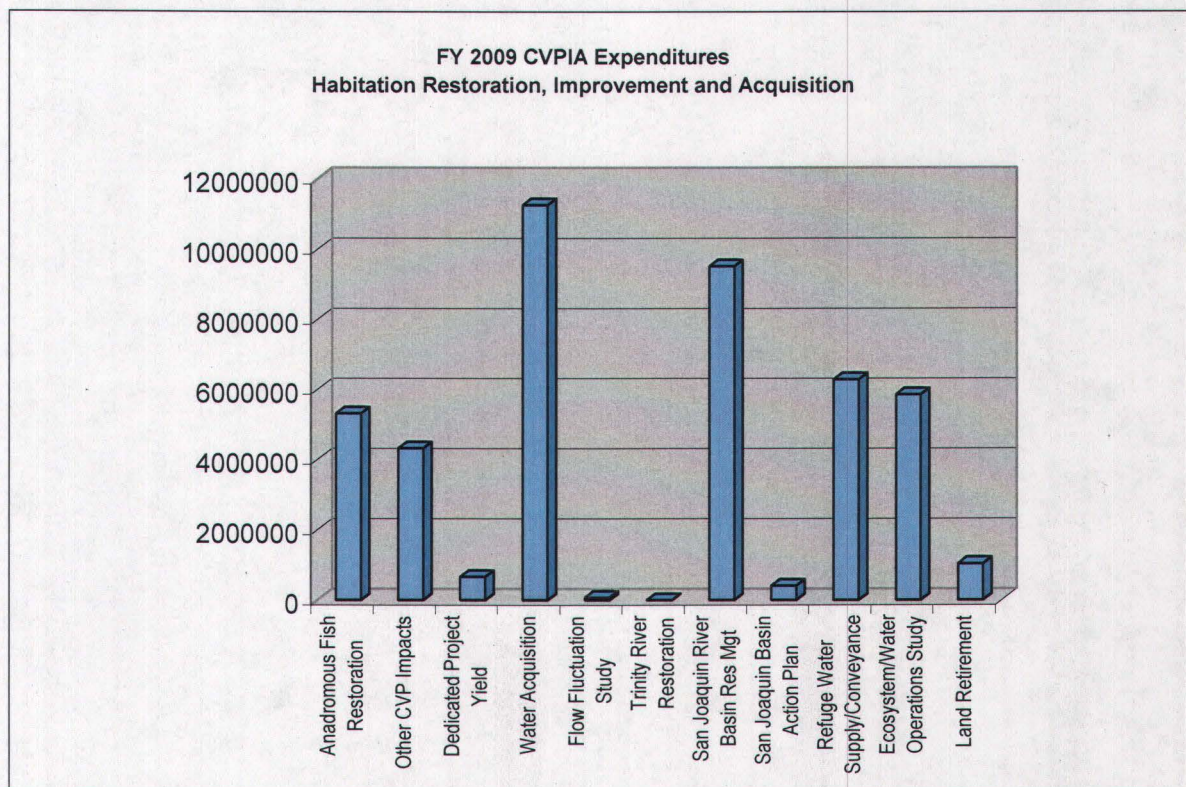
charges are limited to \$30.0 million (1992 dollars) on a three-year rolling average which generates peaks and valleys in the receipts.

Restoration Fund Expenditures

CVPIA Section 3407(a) states that not less than 67 percent of all funds made available to the Central Valley Project Restoration Fund under this title are authorized to be appropriated to carry out the habitat restoration, improvement and acquisition provisions of this title. In FY 2009, Reclamation spent \$44.8 million (or 95%) on habitat related activities; Reclamation projects habitat restoration spending to drop slightly to \$43.4 million for FY 2011. Additionally, CVPIA section 3407(a) states that not more than 33 percent of all funds made available to the Restoration Fund under this title are authorized to be appropriated for fish and wildlife restoration activities. In FY 2009, Reclamation spent \$2.1 million (or 5%) on fish and wildlife restoration activities, and projections for FY 2011 show spending to be \$6.4 million. These expenditures are detailed on Schedule 4 and do not include the four other funding sources mentioned above.

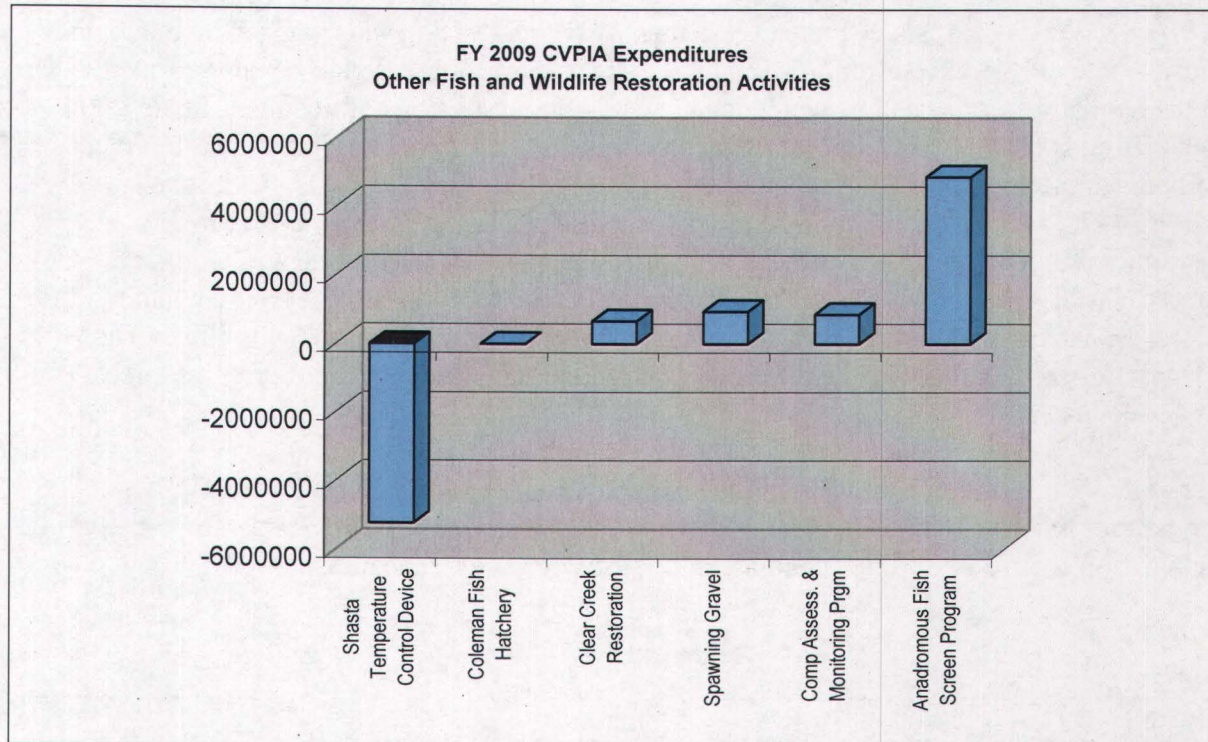
Chart 1 and 2 below graphically depict the expenditures during FY 2009 for Habitation Restoration, Improvement and Acquisition, and Other Fish and Wildlife Restoration Activities. Reclamation spent \$44.8 million on habitat related work. See schedule 4.

Chart 1



The remaining \$2.1 million of FY 2009 expenditures were used for fish and wildlife restoration activities. For specific uses, you may refer to Chart 2 below or schedule 4.

Chart 2



Glossary

Anadromous Fish: Those stocks of salmon (including steelhead), striped bass, sturgeon, and American shad that ascend the Sacramento and San Joaquin rivers and their tributaries and the Sacramento-San Joaquin Delta to reproduce after maturing in San Francisco Bay or the Pacific Ocean.

Central Valley Project: Federal reclamation projects located within or diverting water from or to the watershed of the Sacramento and San Joaquin rivers and their tributaries as authorized by the Act of August 26, 1937, and all Acts amendatory or supplemental thereto.

Central Valley Project Improvement Act: Public Law 102-575, Title XXXIV. This landmark piece of legislation mandates changes in the purposes and management of Reclamation's CVP and specifically focused the Secretary of the Interior on protection, restoration and enhancement of fish, wildlife, and associated habitats within the CVP. The Secretary, in turn, assigned primary responsibility for implementing CVPIA's many provision to Reclamation and the U.S. Fish and Wildlife Service.

Offsetting Collections: Any funds paid into the Restoration Fund by CVP water and power contractors and which are also used to pay for the projects and facilities set forth, in section 3406(b), shall act as an offset against any water and power contractor cost share obligations that are otherwise provided for in the title.

Outlays: Outlays are disbursement by the Federal Treasury in the form of checks or cash. Outlays flow in part from budget authority granted in prior years and in part from budget authority provided for in the year in which the disbursements occur.

Receipts: See offsetting collections above.

Restoration Fund: The fund established in the Treasury of the United States by Public Law 102-575, Title XXXIV, titled Central Valley Project Restoration Fund (CVPRF) (hereafter Restoration Fund).

Uses: See outlays above.

**Central Valley Project Improvement Act
Restoration Fund Revenues and Expenditures
for Fiscal Year 2009 (Actual) and Fiscal Year 2011 (Projected)**

REVENUES:		FY 2009 (Actual)	FY 2011 (Projected)
<u>Non-Discretionary Revenues:</u>			
Pre-Renewal Charges (Subsection 3404(c)(3))		0	0
Tiered Water Charges (Subsection 3405(d))		(191,764) 1/	300,000
Water Transfer Charges (Subsection 3405(a)(1)(B))		0	0
Friant Division Surcharges (Subsection 3406(c)(1))	See Schedule 2	6,922,908 2/	0 3/
M&I Surcharges (Subsection 3407(d)(2)(A))		680	1,000
Subtotal - Non-Discretionary Revenues		6,731,823	301,000
<u>Discretionary Revenues:</u>			
Restoration Charges (Subsection 3407(c) & (d))	See Schedule 3	52,685,000	49,614,000
<u>Contributions:</u>			
Non-Federal Contributions (Subsection 3407(a))		0	0
TOTAL REVENUES		59,416,823	49,915,000
EXPENDITURES:			
Expenditures (Subsections 3406 & 3408)	See Schedule 4	46,975,034	49,915,000
Expenditures of Non-Federal Contributions		0	0
TOTAL EXPENDITURES		46,975,034	49,915,000
NET INCREASE/DECREASE (Revenues less Expenditures)		12,441,789	0

1/ Tiered payments have been incorrectly applied since FY2001. A reconciliation performed during FY 2009 determined that a portion of the payments needed to be applied to the water account.

2/ Actual Friant Surcharge receipts are reported here in accordance with 3407(f) of the CVPIA. However, the receipts are actually deposited in the San Joaquin River Restoration Fund (SJRRF).

3/ Projected revenues for Friant Surcharge are \$0.00 due to the fact that all revenues received are deposited into the San Joaquin River Restoration Fund (SJRRF).

4/ All Friant revenues (actual or projected) received as of October 1, 2009 are deposited into the SJRRF.

Note: Schedules may reflect rounding differences.

Schedule 2

**Central Valley Project Improvement Act
Friant Division Surcharges (Subsection 3406(c)(1))
for Fiscal Year 2009 (Actual) and Fiscal Year 2011 (Projected)**

<u>Irrigation Revenues:</u>	<u>FY 2009 (Actual)</u> 1/	<u>FY 2011 (Projected)</u> 2/
<u>Service Area:</u>		
Friant-Kern Canal	\$5,285,749	\$0
Cross Valley Canal	0	0
Madera Canal	1,276,569	0
Friant Dam	16,807	0
Total Irrigation Revenues	<u>\$6,579,125</u>	<u>\$0</u>
 <u>Municipal & Industrial (M&I) Revenues:</u>		
<u>Service Area:</u>		
Friant-Kern Canal	\$343,223	\$0
Cross Valley Canal	0	0
Madera Canal	0	0
Friant Dam	560	0
Total M&I Revenues	<u>\$343,783</u>	<u>\$0</u>
 GRAND TOTAL	<u>\$6,922,908</u>	<u>\$0</u>

1/ Actual Friant Surcharge receipts are reported here in accordance with 3407(f) of the CVPIA. However, the receipts are actually deposited in the San Joaquin River Restoration Fund.

2/ Projected revenues for Friant Surcharge are \$0.00 due to the fact that all revenues received are deposited into the San Joaquin River Restoration Fund (SJRRF).

Note: Project water delivered from the Friant Division is subject to a \$7.00 per acre-foot surcharge.

**Central Valley Project Improvement Act
Restoration Charges (Subsection 3407(c) & (d))
for Fiscal Year 2009 (Actual) and Fiscal Year 2011 (Projected)**

<u>Service Areas:</u>	<u>FY 2009</u>	<u>FY 2011</u>	<u>FY 2009</u>	<u>FY 2011</u>
	<u>(Actual)</u>	<u>(Projected)</u>	<u>(Actual)</u>	<u>(Projected)</u>
	<u>Irrigation</u>		<u>Municipal & Industrial (M&I)</u>	
FOLSOM				
Folsom Dam & Reservoir	\$0	\$0	\$530,087	\$855,121
Folsom-South Canal	(539,688) 1/	0	662,604	490,510
Sugar Pine Dam & Reservoir	0	1,377	21,544	44,039
Sly Park Dam & Reservoir	22,173	38,255	160,447	317,083
Subtotal Folsom	<u>(\$517,515)</u>	<u>\$39,632</u>	<u>\$1,374,681</u>	<u>\$1,706,754</u>
TRACY				
Contra Costa Canal	\$0	\$0	\$1,455,798	\$1,564,102
Delta-Mendota Canal	562,018	1,357,119	168,026	177,126
San Luis Canal-Tracy	438,061	879,070	10,504	12,155
New Melones Dam & Reservoir	0	0	54,360	0
San Felipe Unit	177,316	332,620	1,359,615	1,840,176
Subtotal Tracy	<u>\$1,177,396</u>	<u>\$2,568,809</u>	<u>\$3,048,303</u>	<u>\$3,593,559</u>
FRESNO				
San Luis Canal-Fresno	\$648,347	\$6,259,515	\$201,590	\$248,241
Friant Dam	21,753	0	1,436	3,541
Friant-Kern Canal	6,760,112	4,200,316	941,877	1,069,857
Cross Valley Canal	249,903	270,968	0	17,140
Madera Canal	1,643,310	969,535	0	0
Delta-Mendota Pool	82,006	227,885	0	0
Buchanan Unit	217,440	183,624	0	0
Hidden Unit	216,000	183,624	0	0
Subtotal Fresno	<u>\$9,838,871</u>	<u>\$12,295,467</u>	<u>\$1,144,903</u>	<u>\$1,338,779</u>
SHASTA				
Clear Creek Unit	\$0	\$0	\$22,352	\$37,451
Shasta Dam & Reservoir	0	0	16,497	34,897
Spring Creek Conduit	0	0	74,411	81,878
Cow Creek Unit	0	0	38,932	36,870
Toyon Pipeline	0	0	34,257	49,095
Sacramento River - Shasta	13,514	29,189	95,784	152,640
Subtotal Shasta	<u>\$13,514</u>	<u>\$29,189</u>	<u>\$282,233</u>	<u>\$392,831</u>
WILLOWS				
Corning Canal	\$0	\$0	\$0	\$0
Tehama-Colusa Canal	(893) 2/	5,356	3,091	2,114
Black Butte Dam & Reservoir	0	31	1,475	511
Colusa Basin Drain	0	0	0	0
Feather River	85,123	114,765	0	0
Sacramento River - Willows	1,572,030	1,156,143	125,700	0
Subtotal Willows	<u>\$1,656,260</u>	<u>\$1,276,294</u>	<u>\$130,265</u>	<u>\$2,625</u>
GRAND TOTAL	<u><u>\$12,168,526</u></u>	<u><u>\$16,209,391</u></u>	<u><u>\$5,980,385</u></u>	<u><u>\$7,034,549</u></u>
Summary of Restoration Charges for Water and Power:			FY 2009	FY 2011
Restoration Charges - Irrigation			\$12,168,526	\$16,209,391
Restoration Charges - M&I			5,980,385	7,034,549
Restoration Charges - Power			34,536,089	26,370,060
Grand Total			<u><u>\$52,685,000</u></u>	<u><u>\$49,614,000</u></u>

1/ Contractor payments were incorrectly applied to restoration-IRR water in FY 2004, 2005, 2006, 2007 and FY 2008, then corrected to restoration-M&I in FY 2009.

2/ Contractor payments were incorrectly applied to restoration-IRR water in FY 2008, then corrected to water account in FY 2009.

**Central Valley Project Improvement Act
Restoration Fund Expenditures
for Fiscal Year 2009 (Actual) and Fiscal Year 2011 (Projected)**

FISH AND WILDLIFE RESTORATION ACTIVITIES	CVPIA SUBSECTION	FY 2009 (Actual)	FY 2011 (Projected)
Habitation Restoration, Improvement and Acquisition			
Anadromous Fish Restoration Program	3406(b)(1)	\$5,331,006	\$6,070,000
Other CVP Impacts	3406(b)(1) Other	4,330,883	1,700,000
Dedicated Project Yield	3406(b)(2)	674,293	800,000
Water Acquisition	3406(b)(3)	11,269,039	13,700,000
Flow Fluctuation Study	3406(b)(9)	75,749	50,000
Trinity River Restoration	3406(b)(23)	57	1,000,000
San Joaquin River Basin Res Mgt Initiative	3406(c)(1)	9,526,951	1,500,000
San Joaquin Basin Action Plan	3406(d)	422,097	200,000
Refuge Water Supply/Conveyance	3406(d)(1)(2)(5)	6,296,981	11,400,000
Ecosystem/Water Operations Study	3406(g)	5,860,739	6,500,000
Land Retirement	3408(h)	1,048,657	500,000
Subtotal		<u>\$44,836,452</u>	<u>\$43,420,000</u>
Other Fish and Wildlife Restoration Activities			
Shasta Temperature Control Device	3406(b)(6)	(\$5,225,998) 1/	\$0
Coleman Fish Hatchery	3406(b)(11)	1,193	0
Clear Creek Restoration	3406(b)(12)	663,904	800,000
Spawning Gravel	3406(b)(13)	951,475	700,000
Comp Assess. & Monitoring Prgm	3406(b)(16)	868,740	1,283,000
Anadromous Fish Screen Program	3406(b)(21)	4,879,268	3,712,000
Subtotal		<u>\$2,138,582</u>	<u>\$6,495,000</u>
GRAND TOTAL EXPENDITURES		<u><u>\$46,975,034</u></u>	<u><u>\$49,915,000</u></u>

1/ Expenses were reversed out of Restoration Fund and transferred to Trust Fund.